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Message Text

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E.O. 11652: GDS
TAGS: EAID, EEC, XA
SUBJECT: LOME CONVENTION AS A POTENTIAL INSTRUMENT FOR US AND EUROPEAN ECONOMIC-POLITICAL COOPERATION IN AFRICA

REF: STATE 147390

1. INTRODUCTION AND SUMMARY: USEC HAS NOTED WITH INTEREST DISCUSSIONS BETWEEN USG, GOF AND OTHER DONORS CONCERNING THE NEED FOR A "FRAMEWORK" FOR ECONOMIC AND POLITICAL ACTION IN SUPPORT OF WESTERN INTERESTS IN AFRICA (GISCARD FUND PROPOSAL). WHILE USAID AND THE EEC'S EUROPEAN DEVELOPMENT FUND ARE ALREADY COLLABORATING ON A NUMBER OF AFRICAN DEVELOPMENT PROJECTS, THE PURPOSE OF THIS MESSAGE IS TO REMIND THE DEPARTMENT OF CONFIDENTIAL

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THE POTENTIAL FOR ACHIEVING SOME OF OUR LONGER-TERM GOALS IN AFRICA THROUGH A LOW-KEY STEP-UP IN EXISTING COOPERATION BETWEEN THE US AND EUROPEAN COMMUNITY, PARTICULARLY AS REGARDS MULTIDONOR FINANCING. AS REFLECTED BY THE RECENT EEC COMMISSION DECISION TO CONTRIBUTE MODEST AMOUNTS OF FOODSTUFFS AND OTHER AID TO MEET ZAIRE'S IMMEDIATE IMPORT NEEDS, THE COMMUNITY

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CAN PLAY A USEFUL ROLE OF HIGHLIGHTING THE WESTERN PRESENCE IN AFRICAN AFFAIRS, EVEN IN CASES WHERE AN OVERALL POLITICAL CONSENSUS AMONG ITS NINE MEMBER STATES DOES NOT NECESSARILY EXIST. MOREOVER, SINCE THE COMMUNITY, AS SUCH, IS DEVOID OF A COLONIALIST PAST, OTHER DONORS (SUCH AS THE USG) NEED NOT FEAR IDENTIFICATION WITH EEC POLICIES OR INSTITUTIONS ON THAT ACCOUNT. SINCE THE EUROPEAN DEVELOPMENT FUND IS NOW THE SECOND LARGEST CONCESSIONAL AID DONOR IN SUB-SAHARA AFRICA, IT WOULD APPEAR THAT THE LOME CONVENTION PROVIDES A READY FRAMEWORK FOR FURTHERING COMMON US/EUROPEAN OBJECTIVES VIS-A-VIS AFRICA. IN THIS CONNECTION, MISSION BELIEVES IT MAY BE USEFUL FOR PLANNERS IN AID/AFR TO CONSULT WITH EEC COMMISSION OFFICIALS IN COMING MONTHS ON SPECIFIC ACTIVITIES AND PROJECTS IN AFRICA, PARTICULARLY AS REGARDS: (A) A PROSPECTIVE SECOND INSTALLMENT OF REGIONAL PROJECTS UNDER THE 4TH EDF; (B) IDENTIFICATION OF NEW PROJECTS TO BE FUNDED UNDER THE 5TH EDF, BEGINNING IN 1980. WE BELIEVE COMMISSION OFFICIALS WOULD BE RECEPTIVE TO LOW-KEY, EXPLORATORY TALKS OF THIS NATURE BOTH IN BRUSSELS AND IN THE FIELD. END INTRODUCTION AND SUMMARY.

2. THE LOME CONVENTION, SUCCESSOR TO THE YAOUNDE CONVENTIONS, IS A DEVELOPMENT COOPERATION
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PARTNERSHIP BETWEEN THE EUROPEAN ECONOMIC COMMUNITY (EEC), AND 53 AFRICAN, CARIBBEAN AND PACIFIC (ACP) STATES. IT REMAINS IN FORCE FOR ANOTHER TWO YEARS AND WILL, NO DOUBT, BE EXTENDED FOR A FURTHER PERIOD THEREAFTER, AS A RESULT OF NEGOTIATIONS TO BEGIN LATER THIS YEAR. WHILE NUMEROUS PROVISIONS CONCERNING TRADE, STABILIZATION OF EXPORT EARNINGS, COMMODITIES (E.G., SUGAR), AND INDUSTRIAL COOPERATION ARE CONTAINED IN THIS ACCORD, A FEATURE OF CONTINUING IMPORTANCE TO THE US IS FINANCIAL AND TECHNICAL COOPERATION, IN PART BECAUSE OF THE OPPORTUNITIES IT PROVIDES FOR COLLABORATION AMONG DONORS ON MAJOR DEVELOPMENT PROJECTS.

3. APPROXIMATELY 3,550 MILLION UNITS OF ACCOUNT (1 U.A. ABOUT $1.25) WILL BE TRANSFERRED FROM THE EEC TO THE ACP STATES DURING THE FIVE YEAR LIFE OF THE PRESENT CONVENTION. SOME 3,150 MILLION UNITS OF ACCOUNT (MUA) OF THIS TOTAL IS ADMINISTERED BY THE EUROPEAN DEVELOPMENT FUND (EDF). THE LATTER MONIES, PROVIDED ON CONCESSIONAL TERMS, ARE ALLOCATED TO: INVESTMENT PROJECTS SUBMITTED BY THE ACP GOVERNMENTS; REGIONAL COOPERATION INVOLVING TWO OR MORE ACP STATES; TRADE PROMOTION; AND RURAL

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"MICRO-DEVELOPMENT" PROJECTS.

4. GEOGRAPHICALLY, PROGRAMMED DISTRIBUTION OF EDF RESOURCES IS AS FOLLOWS: AFRICA 2,722 MUA (OR 88 PERCENT); CARIBBEAN 315 MUA (10 PERCENT); AND PACIFIC 63 MUA (2 PERCENT). ACCORDING TO SOURCES IN THE DEVELOPMENT ASSISTANCE COMMITTEE SECRETARIAT, IN TERMS OF CONCESSIONAL ASSISTANCE THE EDF IS NOW THE SECOND LARGEST DONOR IN SUB-SAHARAN AFRICA. MOREOVER, ALL OF THE INDEPENDENT

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BLACK AFRICAN STATES, EXCEPT MOZAMBIQUE AND ANGOLA, ARE PARTNERS OF THE EEC UNDER LOME (AND EVEN THE LATTER TWO MAY JOIN LOME II).

5. WHILE ONE OF THE INNOVATIONS OF THE LOME CONVENTION CONCERNS THE CONTRACTUAL "INDICATIVE PROGRAMMING" OF COMMUNITY AID, THERE NEVERTHELESS REMAINS LATITUDE FOR AD HOC MEASURES TAILORED TO MEET SPECIAL ECONOMIC/ POLITICAL PRIORITIES OR CIRCUMSTANCES REQUIREING URGENT ATTENTION. WITH REGARD TO AFRICA (AS WITNESSED BY THE RECENT COMMITMENT TO ZAIRE), EC COMMISSION OFFICIALS (AND COMMISSIONER FOR DEVELOPMENT CHEYSSON, IN PARTICULAR) FREQUENTLY EMPLOY THESE MEASURES IN PURSUIT OF PRIORITY OBJECTIVES. IN ADDITION TO TRADITIONAL ECONOMIC

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INTERESTS, E.G., MAINTAINING EUROPE'S ACCESS TO RAW
MATERIALS AND PRIMARY PRODUCTS, THESE OBJECTIVES INCLUDE:
(A) MAINTENANCE OF WESTERN PRESENCE VIRTUALLY EVERYWHERE
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IN AFRICA AS AN ALTERNATIVE TO OTHER POLITICAL MODELS;
AND (B) SUPPORT FOR MODERATE AFRICAN GOVERNMENTS IN THEIR
EFFORTS TO ENSURE THEIR INDEPENDENCE AND STRENGTHEN
THEIR LOCAL AND REGIONAL ECONOMIC BASE. SINCE, AS EC
COMMISSION OFFICIALS OFTEN POINT OUT, THE COMMUNITY
AS SUCH DOES NOT HAVE A PRIOR RECORD OF COLONIALISM,
AFRICAN LEADERS AND THEIR GOVERNMENTS APPEAR GENERALLY
TO WELCOME COOPERATION WITH THE COMMUNITY UNDER THE LOME
CONVENTION WHICH BRINGS WITH IT IMPORTANT TRADE
OPPORTUNITIES AND DEVELOPMENT ASSISTANCE. MOREOVER,
OTHER DONORS INVOLVED IN COMMON FINANCING WITH THE COMMU-
NITY NEED NOT FEAR BEING TAINTED BY THE DISTRUST
WHICH SOMETIMES BLEMISHES BILATERAL AID RELATIONSHIPS.
IN SUM, WHILE THE FOCUS OF THE DISCUSSION BELOW IS ON
FINANCIAL AND TECHNICAL COOPERATION AT THE NATIONAL AND
REGIONAL LEVEL, THE CONVENTION PROVIDES EC OFFICIALS
WITH A RANGE OF MEASURES TO COPE WITH CHANGING EVENTS
AND TO INFLUENCE GOVERNMENTS SOUTH OF THE SAHARA.
AMONG THESE ARE: FOOD AID, EMERGENCY ASSISTANCE, AND
POLITICAL ANCE MORAL SUASION/SUPPORT. ALL OF THESE
REFLECT THE ECONOMIC WEIGHT (AND GROWING POLITICAL
INFLUENCE, AS WELL) OF THE EEC IN WORLD AFFAIRS.

6. FINANCIAL AND TECHNICAL COOPERATION AT THE NATIONAL
LEVEL: THE MECHANISM FOR ALLOCATING CONCESSIONAL
PROJECT AID IS THE "INDICATIVE PROGRAM," NEGOTIATED
AND AGREED AT AN EARLY DATE BETWEEN THE COMMUNITY AND
EACH OF THE ACP'S. THE INDICATIVE PROGRAM HAS TWO
MAIN PURPOSES: FIRST, IT PERMITS THE RECIPIENT GOVERNMENT
TO KNOW IN ADVANCE THE VOLUME OF RESOURCES IT CAN REA-
SONABLY EXPECT FROM THE COMMUNITY AS IT ESTABLISHES
ITS NATIONAL INVESTMENT PRIORITIES; SECOND, IT ENSURES
THAT THE PROJECTS CONSIDERED FOR COMMUNITY AID COINCIDE
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WITH THE PRIORITIES SET BY THE ACP STATES THEMSELVES
IN THEIR RESPECTIVE DEVELOPMENT PLANS. MOREOVER, AS
THE PRIORITIES AND OBJECTIVES OF AN AID
RECIPIENT VARY OVER TIME, AMENDMENTS TO THE INDICATIVE
PROGRAM ARE POSSIBLE BY MUTUAL CONSENT. (THUS, IN THE
CASE OF ZAIRE, THE COMMISSION HAS SAID IT IS WILLING

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TO CONSIDER THE APPLICATION OF MONIES EARMARKED UNDER THE EXISTING INDICATIVE AID PROGRAM TO "HIGHER PRIORITY" NEEDS TO BE IDENTIFIED BY THE GOZ).

7. ACCORDING TO EC COMMISSION STATISTICS, APPROXIMATELY ONE-THIRD OF THE PROJECT FINANCING AVAILABLE UNDER THE 4TH EDF HAS BEEN COMMITTED TO DATE. DISBURSEMENTS, ON THE OTHER HAND, HAVE BEEN RELATIVELY SLOW. AFTER TWO YEARS' OPERATION, DISBURSEMENTS AMOUNT TO ABOUT 340 MILLION UNITS OF ACCOUNT, OR 10 PERCENT OF TOTAL RESOURCES. MORE THAN 60 PERCENT OF THE COMMITMENTS HAS BEEN DEVOTED TO EXPANSION OF PRODUCTIVE CAPACITY IN THE ACP'S, OF WHICH THE RURAL SECTOR RECEIVES AN IMPORTANT SHARE. IN THE 4TH EDF SIGNIFICANT EMPHASIS IS ALSO GIVEN TO AID FOR THE LEAST DEVELOPED MEMBER COUNTRIES OF THE LOME CONVENTION, ACCORDING TO SPECIAL CRITERIA. THUS, AT THE END OF 1977, 96 PERCENT OF TOTAL FUNDS COMMITTED FOR THE LEAST DEVELOPED WERE IN THE FORM OF GRANTS, WHILE THE CORRESPONDING PERCENTAGE FOR THE OTHER ACP STATES WAS ONLY 59 PERCENT.

8. REGIONAL DEVELOPMENT COOPERATION PROJECTS: ABOUT

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10 PERCENT OF EDF RESOURCES HAS BEEN SET ASIDE FOR
INVESTMENT IN REGIONAL PROJECTS INVOLVING TWO OR
MORE ACP'S. WITHIN THE FIRST TRANCHE OF THIS ASSISTANCE,
APPROXIMATELY 150 MUA HAVE BEEN EARMARKED FOR AFRICA, OF
WHICH ROUGHLY HALF IS TO BE DEVOTED TO TRANSPORT
INFRASTRUCTURE PROJECTS. HOWEVER, EC COMMISSION OFFICIALS
CANDIDLY ADMIT THAT IMPLEMENTATION OF REGIONAL
INVESTMENT PROJECTS HAS THUS FAR ENCOUNTERED DELAYS,
CHIEFLY CAUSED BY:(A) DIFFICULTIES OF INSTITUTIONAL
AND GOVERNMENTAL COORDINATION RESULTING FROM THE REGIONAL
NATURE OF THE PROJECTS; AND (B) THE NUMBER OF RELATIVELY
LARGE PROJECTS REQUIRING MULTIDONOR FINANCING. THESE
PROBLEMS NOT WITHSTANDING, THE COMMISSION WILL SHORTLY
ANNOUNCE A SECOND ISTALLMENT OF RESOURCES UNDER THE
4TH EDF FOR REGIONAL PROJECTS AMOUNTING TO $80 MILLION.
REGIONAL COOPERATION, WE ARE TOLD, IS ALSO LIKELY TO
RECEIVE SIGNIFICANT WEIGHT IN THE CONTEXT OF THE 5TH
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EDF BEGINNING IN 1980.

9. ILLUSTRATIVE EXAMPLES OF AFRICAN REGIONAL PROJECTS
FOR WHICH FINANCING ARRANGEMENTS ARE COMPLETE ARE:
--CIMAO CLINKER PLANT (TOGO, GHANA, IVORY COAST);

--NAMIBIA INSTITUTE IN LUSAKA;

--WEST AFRICA AFLATOXIN RESEARCH PROJECT;

--GUIDJIBA-MOUNDOU ROAD (CHAD)
ON THE OTHER HAND, REGIONAL PROJECTS FOR WHICH FINANCING
NEEDS ARE STILL UNCOVERED ARE:
--A PORTION OF RUSUMO-ISAKA ROAD LINKING RWANDA/
BURUNDI AND EAST AFRICAN RAILHEAD (BRUSSELS 16222);

--GAMBIA BRIDGE/BARRAGE (BRUSSELS 1696)

--KENYA-SUDAN ROAD LINK;
--TRAINING OF RAILWAY PERSONNEL, BOTSWANA,
SWAZILAND AND MOZAMBIQUE;

--LIVESTOCK DISEASE ERADICATION, SUDAN AND ETHIOPIA.

10. MISSION IS AWARE THAT SOME OF THE
LARGE PROJECTS OF THE TYPE LISTED ABOVE MAY NOT MEET
U.S. "BASIC HUMAN NEEDS" CRITERIA. THIS OBSTACLE TO THE
PROMOTION OF CLOSER USAID-EC COORDINATION, INCLUDING
PARALLEL FINANCING ARRANGEMENTS, WAS RAISED DURING TALKS
BETWEEN THE TWO SIDES IN BRUSSELS LAST OCTOBER (77
BRUSSELS 14569). FURTHERMORE, PROGRAMMING CYCLES ON

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THE TWO SIDES DO NOT LEND THEMSELVES TO EASY COLLABORATION,
ESPECIALLY GIVEN THE LEAD TIME REQUIRED ON THE U.S.
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SIDE TO DEVELOP PROJECTS SUITABLE FOR CONGRESSIONAL
APPROVAL. ON THE OTHER HAND, MISSION BELIEVES THAT DE-
PARTMENT AND U.S. AID SHOULD BE AWARE THAT
THE COMMISSION WILL BEGIN PROJECT IDENTIFICATION
IN A FEW MONTHS FOR THOSE ACP REGIONAL AND NATIONAL
PROJECTS TO BE FINANCED UNDER 5TH EDF, BEGINNING IN 1980.
GIVEN THE DEADLINE OF MARCH 1980 FOR RENEWAL AND RATIFICA-
TION OF THE LOME CONVENTION, THIS AUTUMN THE
COMMISSION PLANS TO SOLICIT IDEAS FROM EC DELEGATES IN
THE ACP COUNTRIES ON SECTOR PRIORITIES. ON THE BASIS
OF THESE PRIORITIES, SPECIFIC PROJECTS WILL THEN BE
IDENTIFIED, TAKING INTO ACCOUNT THE VIEWS OF ACP
GOVERNMENTS CONCERNED. ACCORDINGLY, MISSION BELIEVES IT
MIGHT BE USEFUL FOR AID OFFICIALS TO HAVE THIS AUTUMN
AN EXCHANGE OF VIEWS ON AFRICAN AID PROGRAM DIRECTIONS
IN BRUSSELS AS WELL AS IN THE FIELD WITH A VIEW TO
IDENTIFYING POTENTIAL AREAS OF COLLABORATION,
INCLUDING PARALLEL FINANCING OPPORTUNITIES. HINTON

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